

## **More debt and higher taxes? Vote NO on 13 on the March 3 ballot!**

The “Proposition 13” on the March 3, 2020, ballot is a \$15 billion school construction bond, but it would cost taxpayers far more than \$15 billion. That’s why the Howard Jarvis Taxpayers Association is opposed to *this* Proposition 13. This measure would increase the state’s debt and interest costs, raise the caps on local school district borrowing and put a thumb on the scale in favor of costly Project Labor Agreements that sharply raise the cost of construction projects and use taxpayer dollars inefficiently.

### **Too Much State Debt**

The March ballot’s Proposition 13 is a \$15 billion General Obligation (GO) bond that will cost \$27 billion with interest to pay off over 35 years. The cost to the General Fund will be about \$740 million annually. This debt has first call on General Fund revenue, meaning that this bond debt interest needs to be funded first before any other programs, including Medi-Cal and law enforcement, can be supported.

Currently our debt service ratio (the amount of the General Fund that goes exclusively to paying off GO bond debt) stands at about six percent. While it can be debated whether this number is too high or too low, it’s important to keep this figure in mind before we obligate ourselves to more debt. This is especially true with a looming recession always on the horizon.

### **Costly Increase in Local Debt**

The current local school district debt cap is 1.25 percent of the total assessed value of taxable property in the district. The March ballot’s Proposition 13 increases this amount to two percent for elementary and most high school districts. The cap applies to cumulative outstanding debt from all school district bonds regardless of when they were approved by voters.

By way of example, let’s say a school district approved three local Proposition 39 bonds between 2010–2016 and hit their debt cap. While voters could approve bonds after that point, the school district wouldn’t be able to sell them unless a) taxable property value increased or b) debt was paid down. If approved, this Proposition 13 would allow the school district to sell more existing bonds or put new ones on the ballot. Regardless, this will ***increase property taxes on all homes and businesses*** as more bonds will be sold.

### **Costly Project Labor Agreements**

The March ballot’s Proposition 13 makes it clear that local school districts that apply for state matching funds will receive additional priority, especially in certain funding categories, if they use a Project Labor Agreement, or PLA. While this ballot measure only promotes and doesn’t mandate a PLA, the concern is that this will put greater pressure on school districts to approve them in order to receive these bond dollars should the measure pass. By freezing out non-union contractors and decreasing competitive bids, ***PLAs have been clearly shown to increase construction costs and are thus not an effective use of taxpayer dollars.***

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